



December 15, 2011

Mary Nichols  
Chairman  
California Air Resources Board  
1001 "I" Street  
P.O. Box 2815  
Sacramento, CA 95812

*Re. Amendments to the California Low Carbon Fuel Standard*

Dear Chairman Nichols,

As long-term investors and members of the Investor Network on Climate Risk (INCR), a network of 100 investors representing more than \$10 trillion in assets, we are writing to express our support for a strong Low Carbon Fuel Standard (LCFS). A strong LCFS will both help to mitigate significant portfolio risks from climate change, and stimulate economic growth by facilitating job-creating investment opportunities.

Climate change presents significant long-term risks to the global economy, and to investors across all asset classes. Given that the transportation sector accounts for 38% of California's greenhouse gas (GHG) emissions, it is critical to shift to cleaner transportation fuels. An LCFS will be effective in reducing transportation emissions; according to the California Air Resources Board (CARB) 2009 Staff Report, the LCFS will reduce GHG emissions from the transportation sector in California by about 16 million metric tons (MMT) in 2020.<sup>1</sup>

California's LCFS also provides economic and energy security benefits by reducing our dependence on oil. The CARB Staff Report estimates that "the displacement of petroleum-based fuels with lower-carbon-intensity fuels will result in an overall savings in the State, as much as \$11 billion from 2010-2020."<sup>2</sup> Further, as a market based policy that does not mandate the use of particular technologies or fuels, a strong LCFS promotes innovation and growth in the clean fuels sector. Since the regulation took effect in 2010, "fuel producers are innovating and achieving material reductions in their fuel pathways' carbon intensities... submittals representing over 100 new or modified fuel pathways with substantially lower carbon intensities have been posted... to date... on the LCFS portal."<sup>3</sup>

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<sup>1</sup> Proposed Regulations to Implement the Low Carbon Fuel Standard Staff Report: Initial Statement of Reasons, March, 2009, ES-1.

<sup>2</sup> Proposed Regulation to Implement the Low Carbon Fuel Standard Staff Report: Initial Statement of Reasons, 2009, Volume I (VIII-1).

<sup>3</sup> Proposed Amendments to the Low Carbon Fuel Standard Staff Report: Initial Statement of Reasons, October 2011, ES-1.



California is a leader in developing clean technologies; an LCFS would help ensure that California maintains that leadership position by fostering opportunities for long-term, sustainable economic growth in the clean energy sector. California also plays an important leadership role as a regulatory model. In order to ensure a broader shift to cleaner fuels, other jurisdictions will need to adopt an LCFS, and the adoption of a strong framework in California will facilitate similar efforts throughout the country, particularly the ongoing development of a Clean Fuels Standard in the Northeast and Mid-Atlantic states.

In sum, we support amendments that strengthen the LCFS by sending a clear market signal promoting investment in a robust clean energy market, and providing unambiguous disincentives to provide high carbon fuels derived from current oil sands and oil shale production. A strong LCFS will help get California's economy back on track by creating jobs and catalyzing investment in cleaner fuels, as well as promoting energy security and reducing climate risk.

We appreciate the opportunity to share our views, and look forward to supporting your efforts as the program moves forward.

Sincerely,

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Walden Asset Management

Bennett Freeman  
Senior Vice President, Sustainability  
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Investor Network on  
**CLIMATE RISK**

a project of Ceres

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